



Metropolitan Government of Nashville and Davidson County

222 3rd Ave. N.
Suite 650
Nashville, TN 37201

615-862-6170 office
615-862-6175 fax

www.nashville.gov/finance

♦ Monitoring Report of ♦

Mediation Works!

(formerly Victim-Offender Reconciliation Program)



Issued by



Office of Support Services Division of Grants Monitoring

Fred Adom, CPA
Director

Mae Booker,
Lead Auditor

November 7, 2002

Our Vision: To be excellent and proficient in monitoring and management services.

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE
OFFICE OF SUPPORT SERVICES
DIVISION OF GRANTS MONITORING
222 THIRD AVENUE NORTH, SUITE 650
NASHVILLE, TENNESSEE 37201

November 7, 2002

Sizwe Herring, Co-Board Chair
&
Marilyn Spicer, Co-Board Chair
Mediation Works! (VORP)
419 Woodland Street
Nashville, TN 37206

Dear Board Chairs:

Please find attached the Monitoring Report of Mediation Works! (VORP) relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2002.

The Division of Grants Monitoring (DGM) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any nonprofit organizations. DGM is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government. Staff from the DGM conducted the review on May 2, 2002.

We appreciate the assistance provided by your agency during the course of the review. If you have any questions, please call me at 615-880-1035.

Sincerely,

Fred Adom
Director

cc: Anita Campbell Coe, Executive Director
David Manning, Director of Finance
Nancy Whitemore, Assistant Director of Finance
Joe Holzmer, Division of Accounts
Kim McDoniel, Internal Audit
Mae Booker, Division of Grants Monitoring

MONITORING REPORT
For
MEDIATION WORKS!
(formerly Victim-Offender Reconciliation Program)

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OBJECTIVES, SCOPE and METHODOLOGY

The Division of Grants Monitoring (herein after referred to as DGM) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any nonprofit organizations. DGM is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government.

We have completed a monitoring review of the Metropolitan Nashville Government grant to Mediation Works! for the year ended June 30, 2002. A monitoring review is substantially less in scope than an audit. DGM did not audit the financial statements and accordingly, does not express an opinion or any assurance regarding the financial statements of Mediation Works!. Our objectives for this review were:

- 1) To determine whether the agency has the resources and capacity to administer the grant funds
- 2) To test if costs and service are allowable and eligible
- 3) To verify that program objectives are being met
- 4) To test the reliability of the financial and programmatic reporting
- 5) To test the reliability of internal controls
- 6) To verify contractual compliance
- 7) To verify that civil rights requirements are being met

Mediation Works!, formerly Victim-Offender Reconciliation Program, serves as mediators for closure between victims of crimes and their offenders. The mediation sessions are conducted primarily at the Juvenile Justice Center. The program was established to allow victims of a grievous crime to non-violently express their feelings of anguish and devastation to the perpetrator of the crime. At the same time, it gives the offender an opportunity to express remorse for the violent act and/or to apologize to the victim or their family. In addition, the agency mediates between neighborhood disturbances due to barking dogs and/or loud noises; serves as behavior counselors to disruptive high school teens; and conduct teaching sessions to students that are designed to prevent or correct a violent pattern that could lead to imprisonment.

The review was limited to Metropolitan Nashville and Davidson County Government grant number L-402 to Mediation Works! for the fiscal year ending June 30, 2002. The Metro grant supports approximately forty-seven percent of the total funding and operations of Mediation Works! To accomplish our objectives of the monitoring review, we:

- Interview the official responsible for the grant management, financial reporting and accountability
- Reviewed controls and supporting documentation of expenditures, including payroll, for allowability, necessity and reasonableness of the costs incurred.
- Reviewed operations and activities of Mediation Works! for compliance with the intended beneficiaries of the grant funds.
- Reviewed Mediation Works! for compliance with required Civil Rights and ADA regulations regarding accessibility of the services to handicapped clients and measures taken to accommodate their needs
- Reviewed Mediation Works! for compliance with the reporting requirements imposed by Metro
- Reviewed the financial stability of the Mediation Works! and its ability to continue to administer the grant program funded by Metro.

RESULTS OF MONITORING

Findings considered to be significant can be found in the *Findings and Recommendations* Section. The results of the monitoring sections presents brief summaries of results of the testing performed, including conclusions regarding the key objectives and recommendations for improvement and an action plan for implementing the conclusions. The results of the monitoring are listed below:

1. Possess necessary resources and capacity to administer the grant funds

Our review of the agency's accounting system, the qualification of the individuals assigned to manage the accounting records, and other available resources, indicate that Mediation Works! needs to implement improvements and enhancements in the administration of the grant funds. The agency uses the Quicken accounting software.

The agency has an active board oversight and participation, as evidenced in the review of the monthly board minutes. Board minutes from July 1, 2001 through February 28, 2002 were reviewed. The audited financial statements for the periods ending December 31, 2000 and 1999 and solvency tests performed show a positive cash flow. It must be noted that fifty-nine percent of the agency's financial resources are highly concentrated in grant contributions.

2. Allowable and Eligible costs and services

DGM normally reviews for the agency's compliance with any specific requirements outlined in the grant contract. The contract between Metropolitan Nashville Government and Mediation Works! for the year ended June 30, 2002, did not hold the agency to any specific requirements and/or compliance with grants manual with the exception of submission of an annual audited financial statements. As a result, our testing for allowable and eligible costs and services was based upon the proper documentation and administration for the transactions generated in the program. Our review determined that Mediation Works! was not in compliance with the requirement of General Principles, OMB Circular 122, Attachment A.2.g, relating to proper documentation. Please see the *Findings and Recommendations* Section of this report.

Also the contract did not specify for the separate accounting of the Metropolitan Nashville Government grant funds or prohibit co-mingling of the Metro Funds with other sources of funding for the agency, therefore the funds were used to support general operations. As a result, we could not segregate and account for the expenditures separately funded with Metro dollars. Our review covered all of the core areas compliance identified by OMB Circular 133.

3. Program objectives being met

The contract between Metropolitan Nashville Government and Mediation Works! for the year ended June 30, 2002, did not hold the agency to any specific Program objectives other than for the benefit of residents of Metro Davidson County. The agency's operations generally benefit Metro Nashville residents. Due to the lack of specific program objectives, we could not conclude whether the Program objectives were met.

4. Reliability of financial and programmatic reporting

There were no financial and/or programmatic reporting requirements placed on Mediation Works! The contract only called for submission of an annual audit report performed by a Certified Public Accountant. There was no monthly, quarterly or annual reporting of the expenditures incurred in the program back to Metro Government or any reports of the program outcome. Due to the lack of specific requirements placed

on Mediation Works!, we were unable to determine whether Metro Funds were used for any unauthorized purposes.

5. Reliability of internal controls

Our review revealed weaknesses in the internal controls of Mediation Works! The agency did not have written policies and procedures in place to account for the funds. Also the current processes allowed one person to have complete control of entire processes. Please see the *Findings and Recommendations* Section of the report.

6. Contractual compliance

The agency's operations generally benefit Metro Nashville residents as required in the contract. Due to the lack of other specific contractual requirements, we could not test for any specific contractual compliance.

7. Civil rights requirements

Our review did not reveal anything to indicate that Mediation Works! was not in compliance with civil rights requirements. We noticed the necessary postings of the Non-Discrimination Posters and proper walkways and entrances to the mediation facilities. However, the agency has no written policies to govern the practices of the agency in adherence to the Civil Rights Act of 1964 and the Americans with Disabilities Act of 1990 regulations.

FINDINGS AND RECOMMENDATIONS

1. Documentation to support expenditures were not adequate

Finding

Tests revealed Mediation Work! is not maintaining adequate and proper documents to support its expenditures. Receipts and invoices for office equipment purchases and some credit card purchases and other disbursements could not be located to justify the expenditures. When available the records were poorly organized which extended the review time. Inquires revealed that some of the supporting documentation were discarded as unnecessary and some were thought to be stored at the staff's residence. In addition the agency had no establish a written accounting and procurement policy.

Some of the unsupported purchases were reimbursement s to employees for the several purchases from CompUSA (including a printer) and an airline ticket, all without supporting documentation: The agency staff were not able to identify the printer in the office nor were they able to produce the purchase records. The airline ticket was reportedly charged to an employee's personal VISA card when purchased. Again there was no supporting documentation nor could the employee provide the necessary VISA statement to support the purchase.

For costs to be allowable, as set forth in OMB Circular A-122, "Cost Principles for Non-Profit Organizations", they should meet the following criteria:

- a. Be reasonable for the performance of the award
- b. Conform to any limitations or exclusions set forth in these principles
- c. Be consistent with policies and procedures that apply uniformly
- d. Be accorded consistent treatment
- e. Be determined in accordance with generally accepted accounting principles (GAAP)
- f. Not be included as cost or used to meet cost sharing or matching requirements
- g. Be adequately documented

The lack of and the state of the available supporting documentation, made it extremely difficult to determine the allowability of the purchases. Such weaknesses could potentially lead to abuse and misuse of program funds without detection. In addition, if not corrected, such deficiencies would lead to questioned costs in future reviews.

Recommendations

- A. Mediation Works! should establish and implement written accounting and procurement policies immediately. The policies should include the standard requirements for proper supporting documentation of all purchases.**
- B. Mediation Work! should take the necessary measures to ensure to implement a proper filing system for supporting documentation immediately. All financial records, supporting documents and other records pertinent to the grant award and all other disbursements should be maintained on file at the official business address. Such documentation should be readily available for inspection upon request.**

FINDINGS AND RECOMMENDATIONS

2. Controls Over Petty Cash Need Improvement

Finding

Mediation Works! needs to improve its controls over the Petty Cash function. Tests revealed that the agency had not established a consistent limit for the fund nor any controls over the Petty Cash function. Funds from the petty cash fund were being used for regular purchases, including reimbursing employees and making ordinary payments to vendors for goods and services. Also, the fund was not routinely replenished allowing the fund to fall to negative balances for extended time. In addition, there were no supporting documents to document the purpose of the disbursements and when available the records were kept in a cigar box.

Internal control systems are essential to provide management and funders with reasonable assurance that the agency's programs resource uses are consistent with laws, regulations and policies and that the resources are safeguarded against waste, loss and misuse; and that data and reports from the agency can be counted on as being fairly reliable.

Without proper documentation to support program disbursements, it is impossible to determine the appropriateness of the program expenditures. Such deficiencies, if not corrected, would lead to questioned costs in future reviews.

Recommendations

- A. Mediation Works! should establish and implement written accounting and procurement policies immediately. The policies should include the standard requirements for proper supporting documentation of all purchases.
- B. Mediation Works! must establish specific guidelines as to the amount, nature and frequency of transactions to be reimbursed from the petty cash funds.
- C. The agency must organize proper filing for storage of the receipt documents
- D. The agency must set a definite limit on the petty cash fund balance.
- E. Mediation Works! should establish a pre-numbered voucher system to track and account for the cash disbursements from petty cash

3. Other Recommendations

- 1) Metropolitan Government of Nashville and Davidson County should revise the provisions of the contract with Mediation Works! to include, but not limited to the following:
 - a) Specific provisions for program outcomes
 - b) Specific financial reporting requirements, including format, frequency and type of cost.
 - c) Specific programmatic reporting requirements, including format, frequency and type of information
 - d) Reference to compliance requirements that Mediation Works! will be subject to.
- 2) Metropolitan Government of Nashville and Davidson County should develop a Grants Manual that will outline the minimum and general expectations and requirements of all grant recipients of Metro Funds. This manual should address allowable and unallowable costs and cost principles to be followed by all nonprofit recipients of Metro funds.
- 3) Metropolitan Government of Nashville and Davidson County should address the process and the documentation necessary for Mediation Works! and other non-profit organizations to request the appropriated funds.